IN THE HIGH COURT OF JUDICATURE AT BOMBAY

O. O. C. J.

COMPANY PETITION NO.106 OF 2007
CONNECTED WITH
COMPANY APPLICATION NO.154 OF 2006

In the matter of Reduction of Share Capital of M/s. Ethypharm L. L. Pvt. Ltd.

M/s. Ethypharm L. L. Pvt. Ltd. ..Petitioner.

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Ms. Yasmin E. Tavaria for the Petitioner.
Mr. C.J. Joy for the Regional Director.

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CORAM: **DR. D.Y. CHANDRACHUD, J.**

16th April, 2007.

P.C. :

1. The sanction of the Court has been sought to a reduction in the equity share capital of the Petitioner from Rs.475,636,080/- to Rs.223,315,080/- by setting off the accumulated losses in the Profit and Loss Account against the share capital of the Petitioner. The reasons for the reduction are explained in paragraph 4(c) of the Petition thus :

> i. The effect of such reduction would enable the Company to present a correct picture of itself in the market and thus explore opportunities for the benefit of Shareholders of the Company, as the audited Balance Sheet of 31st December 2005, shows accumulated losses of

Rs.252,321,228/-. Hence, accumulated loss to the extent of Rs.252,321,228/- is unrepresented by any assets of the company.

ii. In order to show a satisfactory but factually correct financial picture of the Company, the management considered that it would be in the fitness of things to right size the Balance Sheet by way of setting off its accumulated losses against the Share Capital of the Company.

Iii. On setting off the accumulated losses against the Share Capital, the Share Capital of the Company would be reduced proportionately. This exercise if carried would show a clear and factual financial status of the Company.

iv. On setting off the accumulated losses against share capital the Company will show a healthy financial picture and will be in a position to consider declaring a dividend and giving returns to share holders."

2. A statement has been made before the court by Counsel appearing for the Petitioner that in a meeting held on 10th October, 2006, the only two shareholders of the company had agreed to the proposed reduction and that the proposed reduction is unrepresented by assets. There are no secured creditors. Individual notices were furnished to the unsecured creditors. An affidavit of service has been filed.

3. There is no objection to the proposed reduction. All the necessary statutory compliances have been fulfilled. In the circumstances, there is no reason why the relief as prayed should not be granted. The Company Petition is made absolute in terms of prayer clauses (a) and (b).